



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 19, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PACIFIC ASIAN COUNSELING SERVICES CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a fiscal review of Pacific Asian Counseling Services (PACS or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with PACS, a private non-profit community-based organization that provides services to clients in Service Planning Areas 2, 5 and 8. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Fourth District.

DMH pays PACS on a cost-reimbursement basis between \$1.60 and \$4.15 per minute of staff time (\$96 to \$249 per hour) for services or approximately \$1.9 million and \$2.1 million for Fiscal Years (FY) 2007-08 and 2008-09, respectively.

Purpose/Methodology

The purpose of our review was to determine whether PACS complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

Generally, PACS maintained sufficient internal controls over its business operations. The Agency appropriately allocated shared program expenditures and maintained sufficient documentation to support program expenditures billed to DMH. However, PACS charged DMH \$1,237 for fundraising costs during FY 2007-08. The County contract does not allow Agencies to charge fundraising expenditures to the DMH program. Additionally, PACS did not maintain a complete listing of fixed assets that includes the assigned individuals, item description, serial number or unique identifier and source of funding as required by County contract.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with PACS and DMH. In the attached response, the Agency concurred with our findings and recommendations and agreed to reduce their FY 2007-08 Cost Report by \$1,237.

We thank PACS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Joseph L. Manalili, President, Board of Directors, PACS
Mariko Kahn, Executive Director, PACS
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
PACIFIC ASIAN COUNSELING SERVICES
FISCAL YEARS 2007-08 AND 2008-09**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue were properly recorded in Pacific Asian Counseling Services' (PACS or Agency) financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed PACS management and reviewed the Agency's financial records. We also reviewed the Agency's May 2009 bank reconciliations for three bank accounts.

Results

PACS maintained adequate controls to ensure that cash, revenue and liquid assets were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether PACS' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed PACS' Cost Allocation Plan and selected a sample of expenditures to ensure that expenditures were properly allocated to the Agency's programs.

Results

PACS prepared its Cost Allocation Plan in compliance with the County contract and appropriately allocated their shared program expenditures.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation to support 20 expenditures between July 2007 and May 2009.

Results

PACS' expenditures were generally allowable, properly documented and accurately billed. However, PACS charged the Department of Mental Health (DMH) \$1,237 for fundraising costs during Fiscal Year (FY) 2007-08. The County contract does not allow Agencies to charge fundraising expenditures to the DMH program.

Recommendations**PACS management:**

1. **Revise the FY 2007-08 Cost Report to reduce the reported program expenditures by \$1,237 and repay DMH for any excess amount received.**
2. **Ensure that only allowable program expenditures are charged to the DMH program.**

FIXED ASSETS**Objective**

Determine whether fixed assets depreciation costs charged to the DMH program were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed three items charged to the DMH program during FY 2007-08.

Results

The depreciation costs charged to the DMH program were allowable, properly documented and accurately billed. However, PACS did not maintain a complete listing of fixed assets that includes the assigned individuals, item description, serial number or unique identifier and source of funding as required by County contract.

Recommendation

3. PACS management maintain a complete fixed asset listing that includes the assigned individuals, item description, serial number or unique identifier and sources of funding.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We traced the payroll expenditures totaling \$18,198 for ten employees to the payroll records and time reports for the pay period ending June 15, 2008. We also interviewed and reviewed personnel files for the ten employees.

Results

PACS' payroll expenditures were appropriately charged to the DMH program. In addition, the Agency maintained the personnel files as required.

Recommendation

None.

COST REPORT**Objective**

Determine whether PACS' FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The Agency's total cost listed on PACS' FY 2007-08 Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



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March 4, 2010

Wendy L Watanabe, Auditor Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Re: Management Response Letter for FY0708 Contract Review

Dear Ms. Watanabe,

Below is our Management response and corrective actions to the recommendations made by the County of Los Angeles - Department of Auditor-Controller in connection with our FY0708 Contract Review.

1. Expenditure

- a. Pacific Asian Counseling Services (PACS) has mistakenly charged DMH \$1,237.00 for contract labor associated with Fundraising consultation. PACS will revise the FY2007-08 cost report to reduce the reported program expenditures by \$1,237.00 and repay DMH for any excess amount received.

2. Fixed Assets

- a. PACS will maintain a complete fixed asset listing that includes the assigned individuals, item description, serial number or unique identifier and sources of funding as required by County Contract.

If you have any questions regarding this matter, please contact me at (310) 337-1550, ext. 2018. Thank you.

Sincerely,

Mariko Kahn
Executive Director